RECEIVED LEGISLATIVE AUDITOR 05 FEB - 1 AMII: 50

# TOWN OF LAKE ARTHUR, LOUISIANA ANNUAL FINANCIAL REPORT JULY 31, 2004

Under provisions of state law, this report is a public document. Acopy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court

Release Date 4-13-05

### ANNUAL FINANCIAL REPORT Year Ended July 31,2004

### TABLE OF CONTENTS

	Page
INTRODUCTORY SECTION	
Title Page	
Table of Contents	2-3
List of Principal Officials	4
FINANCIAL SECTION	
Report of Independent Auditors	5 - 6
Required Supplementary Information:	
Management's Discussion and Analysis	7-14
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	16
Statement of Activities	17-18
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	20
Reconciliation of Balance Sheet	21
Statement of Revenues, Expenditures and Changes in	
Fund Balances	22
Reconciliation of Statement of Revenues, Expenditures	
and Changes in Fund Balances of Governmental Funds	
to the Statement of Activities	23
Proprietary Fund:	
Statement of Net Assets	24
Statement of Revenues, Expenses and Changes in	
Net Assets	25
Statement of Cash Flows	26
General Fund:	
Budgetary Comparison Schedule	27
Street and Alley Fund:	
Budgetary Comparison Schedule	28
Sales Tax Fund:	
Budgetary Comparison Schedule	29
Notes to Financial Statements	30-45

	Page
Other Supplementary Information - Nonmajor Governmental Funds:	
Combining Balance Sheet	47-48
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	49-50
REPORT OF INDEPENDENT AUDITORS ON INTERNAL CONTROL AND COMPLIANCE	
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government	
Auditing Standards	52-53
Schedule of Findings and Questioned Costs	54
Summary Schedule of Prior Audit Findings Based on an Audit of Financial Statements Performed in Accordance	
with Government Auditing Standards	55

July 31, 2004

### MAYOR

The Honorable E. R. Giles

### BOARD OF ALDERMEN

Ms. Dorothy Charles

Mr. Kirk Conner

Mr. Ellsworth Duhon

Mr. David Hanks Mr. Mark LaPoint

### LEGAL COUNSEL

Mr. Bennett LaPoint

### TOWN CLERK

Mrs. Cynthia Mallett

## McElroy, Quirk & Burch

(In Affiliation with - Gus Schram & Co., LTD)

A Professional Corporation • Certified Public Accountants • Since 1925 800 Kirby Street • P.O. Box 3070 • Lake Charles, LA 70602-3070 337-433-1063.• Fax 337-436-6618 • Web page: www.mqb-cpa.com

Carl W. Comeaux, CPA
Gus W. Schram, III, CPA, CVA
Martin L. Chehotsky, CPA, CFE
Robert M. Gani, CPA, MT
Mollie C. Broussard, CPA
Jason L. Guillory, CPA
Greg P. Naquin, CPA, CFP<sup>TM</sup>
Billy D. Fisher, CPA
Joe G. Peshoff, II, CPA, CVA



Charles P. Quirk, CPA, Inactive Otray J. Woods, Jr., CPA, Inactive Robert F. Cargile, CPA, Inactive William A. Mancuso, CPA, Retired Barbara Hutson Gonzales, CPA, Retired Judson J. McCann, Jr., CPA, Retired

CFE - Certified Fraud Examinet MT - Masters of Taxation CVA - Certified Valuation Analyst CFP - Certified Financial Planner

REPORT OF INDEPENDENT AUDITORS

Honorable Mayor and Board of Aldermen Town of Lake Arthur Lake Arthur, Louisiana

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Lake Arthur, Louisiana as of and for the year ended July 31, 2004, which collectively comprise the Town's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Lake Arthur, Louisiana as of July 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund and the major special revenue funds for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1B, the Town has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, as of July 31, 2004.

In accordance with Government Auditing Standards, we have also issued a report dated October 27, 2004, on our consideration of the Town of Lake Arthur's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's discussion and analysis pages 7 through 15, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have adopted certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Lake Arthur, Louisiana, basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements have been submitted to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Mª Elry, Quick & Buch
Lake Charles, Louisiana

October 27, 2004



### TOWN OF LAKE ARTHUR

- "Nature's Beauty Spot" ——

### MAYOR E.R. "RED" GILES

COUNCIL MEMBERS: DAVID HANKS MARK LAPOINT ELLSWORTH DUHON DOROTHY CHARLES KIRK CONNER CHIEF OF POLICE

MICHAEL R. CONNER

TOWN CLERK

CYNTHIA MALLETT

TOWN ATTORNEY BENNETT LAPOINT

COURT MAGISTRATE CHARLES BULL

### MANAGEMENT'S DISCUSSION AND ANALYSIS

Within this section of the Town of Lake Arthur Louisiana's annual financial report, the Town's management is pleased to provide this narrative discussion and analysis of the financial activities of the Town for the fiscal year ended July 31, 2004. The Town's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

### FINANCIAL HIGHLIGHTS

- The Town's assets exceeded its liabilities by \$4,833,992.00(net assets) for the fiscal year reported. Of this amount, \$1,234,689.00 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the Town's fund designation and fiscal policies.
- Total expenditures of \$2,059,156.00 exceeded total revenues of \$1,808,369.00, which resulted in a current year deficit of \$250,787.00.
- The Town's governmental funds reported total ending fund balance of \$1,710,691.00 this year. This compares to the prior year ending fund balance of \$2,140,608.00 reflecting a decrease of \$429,917.00 during the current year.

At the end of the current fiscal year, unreserved fund balance for the General Fund was \$855,602.00.

The above financial highlights are explained in more detail in the "financial analysis" section of this document.

### USING THE ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds.

### Reporting the Town as a Whole

One of the most important questions asked about the Town's finances is, "Is the Town as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Town as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Town's net assets and changes in them. The Town's net assets, the difference between assets and liabilities, are one way to measure the Town's financial health, or financial position. Over time, increases or decreases in the Town's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Town's taxpayer base and the condition of the Town's roads to assess the overall health of the Town.

In the Statement of Net Assets and the Statement of Activities, we divide the Town into two kinds of activities:

- Governmental activities Most of the Town's basic services are reported here including police, fire, streets and highways, parks and recreation, economic development, and general administration. Sales and property taxes, franchise fees, and state and federal grants finance most of these activities.
- Business-type activities The Town charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Town's water and sewer system is reported here.

### Reporting the City's Most Significant Funds

The fund financial statements provide detailed information about the most significant funds - not the Town as a whole. Some funds are required to be established by State law and bond covenants. However, the Town Council establishes many other funds to help it control and manage money for particular purposes or to

show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The Town's two types of funds, governmental and proprietary, use different accounting approaches.

- Governmental funds Most of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in reconciliation at the bottom of the fund financial statements.
- Proprietary funds When the Town charges customers for the services it provides, these services are generally reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the Town's enterprise fund is the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows.

THE TOWN AS A WHOLE

For the year ended July 31, 2004, net assets changed as follows:

	Net Assets		
	Governmental	Business-type	Total Primary
	Activities	Activities	Government
	2004	2004	2004
Current & Other Assets	\$1,933,769	\$1,140,515	\$3,074,284
Capital Assets	1,141,925	3,727,766	4,869,691
Total Assets	3,075,694	4,868,281	7,943,975
Long-term debt outstanding	364,827	1,540,000	1,904,827
Other Liabilities	288,928	916,228	1,205,156
Total Liabilities	653,755	2,456,228	3,109,983
Net Assets:			
Invested in capital assets			
net of debt	711,248	2,032,766	2,744,014
Restricted	855,089	-	855,089
Unrestricted	855,602	379,287	1,234,889
Total Net Assets	<u>\$ 2,421,939</u>	\$ 2,412,053	\$ 4,833,992

The Town reported positive balances in net assets for both governmental and business-type activities.

Note that approximately 29% of the governmental activities' net assets are tied up in capital. The Town uses these capital assets to provide services to its citizens. However, with business type activities, the Town has spent approximately 84% of its net assets on capital. Capital assets in the business-type activities also provide utility services, but they also generate revenues for this fund. 57% of the Town's total net assets are included in capital assets.

Since this is the first year in which government-wide information is available, comparative data is not presented. However, comparative data will be accumulated and presented to assist analysis in future years.

The following table provides a summary of the Town's changes in net assets:

### **Changes in Net Assets**

	Act	rnmental ivities 2004	ness-type vities	Go	Total overnment 2004
Program Revenues:					
Charges for services	\$	326,442	\$ 366,614	\$	693,056
Grants & Contributions		128,934			128,934
General Revenues:					
Property Taxes		179,682			179,682
Other Taxes		636,625			636,625
Other General Revenues		138,376	31,696		170,072
Total Revenues		1,410,059	398,310		1,808,369
Program Expenses					
General Government		291,310			291,310
Public Safety		573,145			573,145
Highways & Streets		403,459			403,459
Culture and Recreation		319,482			319,482
Economic Development		6,867			6,867
Water and Sewer			464,893		464,893
Total Expenses		1,594,263	464,893		2,059,156
Excess before transfers		(184,204)	(66,583)		(250,787)
Transfers in (out)		(72,029)	72,029		_
Increase in Net Assets	\$	(256,233)	\$ 5,446	\$	(250,787)

### Governmental Activities

Again, because this is the first year to report governmental activities on the accrual basis of accounting, a comparison to prior year is not possible. However, in next year's discussion, this section will show a condensed financial comparison of revenues and expenses and provided explanations for significant differences.

To aid in the understanding of the Statement of Activities some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses, and Changes in Fund Balance. You will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net (Expense)/Revenue. The reason for this type of format is to highlight the relative financial burden of each of the functions on the Town's taxpayers. It is also identifies how much each function draws from the general revenues or it is self-financing through fees.

All other governmental revenues are reported as general. It is important to note that all taxes are classified as general revenue even if restricted for a specific purpose.

This table presents the cost of each of the Town's programs, including the net costs (i.e., total cost less revenues generated by the activities). The net costs illustrate the financial burden that was placed on the Town's taxpayers by each of these functions.

	Total Cost of Services	Net Cost of Services
Public Safety Highway & Streets Health and Recreation	\$ 573,145.00 403,459.00 319,482.00	\$ 427,120.00 403,459.00 101,777.00
Total	<u>\$ 1,296,086.00</u>	<u>\$ 932,356.00</u>

Public safety comprises 28% of the Town's total expenses and 36% of governmental expenses. The Highway & Street expenses are 20% of the Town's total expenses. Health and Recreation consumed 20% of the governmental expenses.

### Business-type Activities

The operating revenues of the Town's business-type activities decreased by \$2,851.00 (1%) and operating expenses increased by \$18,907.00 (5%) from prior year. This resulted in an operating loss of \$37,951.00 in the current year as compared to last year's loss of \$16,193.00. However, net assets of the Town's business-type activities increased approximately \$5,446.00(1%) from the prior year. The factors driving these results include:

• The decrease in operating revenues from the prior year is mainly because of the decrease in population (customer base).

- An increase in the cost of electricity from last year of \$56,851.00 to this year's \$203,904.00. This is mainly due to rain water drainage filtering through the town's sewer plant. The town encountered a tremendous increase in rain this year. Although depreciation expense decreased from \$178,824.00 last year to this year's \$61,958.00, the increase in electricity as compared to the decrease in depreciation was the major factor in the increase of operating expenses.
- Net assets for this year's activities increased slightly because water and sewer lines were added to a small section in town.

### THE TOWN'S FUNDS

### Governmental funds

The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The following schedule presents a summary of general, special revenue, and capital project revenues and expenditures for the fiscal year ended July 31, 2004, and the amount and percentage of increases and decreases in relation to the prior year.

		Func	d Ac	tivities		
					Increase	Percent
					(Decrease)	Increase
Revenues:		2004		2003	from 2003	(Decrease)
Taxes	\$	816,308	\$	698,850	\$117,458	16.81%
Licenses and Permits		91,646		94,354	(2,708)	-2.87%
Charges for Services		151,335		151,217	118	0.08%
Fines & Forfeits		43,295		36,619	6,676	18.23%
Interest Earned		21,720		35,184	(13,464)	-38.27%
Miscellaneous		136,440		249,338	(112,898)	-45.28%
Intergovernmental		149,317		82,520	66,797	80.95%
Total Revenue	\$ :	1,410,061	\$	1,348,082	\$ 61,979	4.60%
Expenditures:						
General Government	\$	338,529	\$	308,961	\$ 29,568	9.57%
Public Safety		615,677		417,107	198,570	47.61%
Highways & Streets		377,588		188,982	188,606	99.80%
Health and		350,075		356,253	(6,178)	-1.73%
Recreation						
Capital Project		-		75,713	(75,713)	-100.00%
Economic Development		6,867		5,346	1,521	28.45%
Debt Service:						
Principal Retirement		62,771		291,000	(228,229)	-78.43%
Interest Paid		16,442		19,278	(2,836)	-14.71%
Total Expenditures	\$ :	1,767,949	\$	1,662,640	\$105,309	6.33%

- The increase in 2004 revenues is because of the additional grants received, gross sales increased therefore sales tax revenue increased.
- The increase in 2004 expenditures mainly was contributed from public safety and highways & streets.
- Police and Fire equipment was purchased, Police Building was added on, and Street repairs were made throughout the town.

### Proprietary fund

The Town's proprietary fund statements provided the same type of information found in the government-wide financial statements, but in more detail. Analysis of the proprietary fund consists of the same information provided in the business-type activities section commented on above.

### BUDGETARY HIGHLIGHTS

The General Fund - The expenditure side of the original budget for the General Fund was revised by \$244,008.00 or 23% this year. The primary change in the general fund's expenditure budget relates to Recreation expenditures and Public Safety expenses. The town is building a recreation facility and implementing a year round recreational program and has purchased updated recreation equipment.

### CAPITAL ASSETS

The Town's investment in capital assets, net of accumulated depreciation, for governmental and business-type activities as of July 31, 2004 was \$1,141,925.00 and \$3,727,766.00 respectively. The following table provides a summary of capital asset activity.

### Capital Assets

	Gover	nmental	Busine	ss-type		
	Acti	vities	Activities		Tot	als
	2004	2003	2004	2003	2004	2003
Buildings	125,228	101,000			125,228	101,000
Utility System			4,913,829	4,906,159	4,913,829	4,906,159
Land	903,777	855,549	9,604	7,529	913,381	863,078
Furniture & Equipment	223,407	84,019	99,048	105,415	322,455	189,434
Vehicles	397,709	378,158	23,962	23,962	421,671	402,120
Totals	1,650,121	1,418,726	5,046,443	5,043,065	6,696,564	6,461,791

#### Major Capital Asset Additions:

- Item 1 The addition to the police building.
- Item 2 The purchase of 12 acres of land to build the town's community center.
- Item 3 The purchase of a new police vehicle.

### LONG-TERM DEBT

At the end of the fiscal year, the Town had total bonded debt outstanding of \$2,125,677, a decrease from last year as follows:

### Outstanding Debt

	Govern Activ		Busines Activ		Tot	als
	2004	2003	2004	2003	2004	2003
Certificate of						
Indebtedness	\$ 78,000	\$ 92,000	\$300,000	\$335,000	\$378,000	\$427,000
General						
Obligation						
Bonds	310,000	335,000	-	_	310,000	335,000
Revenue Bonds	-	-	1,395,000	1,515,000	1,395,000	1,515,000
Capital Lease						
Obligations						
	42,677	26,802			42,677	26,802
Totals	\$430,677	<u>\$453,802</u>	<u>\$1,695,000</u>	<u>\$1,850,000</u>	\$2,125,677	\$2,303,802

The town has retired a portion of their outstanding debt.

### ECONOMIC FACTORS AFFECTING THE TOWN

Since the primary revenue stream for the Town is sales taxes, the Town's sales tax revenues are subject to changes in the economy. Since sales are considered an "elastic" revenue stream, tax collections are higher in a flourishing economy and are lower in a depressed economy.

### CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Town's finances, comply with finance-related laws and regulations, and demonstrate the Town's commitment to public accountability. If you have any questions about this report or would like to request additional information, contact the Town's Clerk, Cynthia Mallett, P.O. Drawer AK, Lake Arthur, LA 70549.

Cynthia Mallett Town Clerk Town of Lake Arthur GOVERNMENT-WIDE FINANCIAL STATEMENTS

## STATEMENT OF NET ASSETS July 31, 2004

•		Dunings	
	Governmental	Business-	
		Type	m-+-1
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
ASSETS			
Cash	\$ 319,177	\$ 62,725	\$ 381,902
Investments	1,332,698	218,964	1,551,662
Receivables	49,811	36,798	86,609
Due from other funds	232,083	533,709	765,792
Restricted cash	202,000	288,319	288,319
Capital assets:		200,0=#	
Land	903,777	9,604	913,381
Capital assets, net of accumulated	200,	2,002	720,002
depreciation	238,148	3,718,162	3,956,310
Total assets	3,075,694	4,868,281	7,943,975
LIABILITIES			
Accounts and other accrued payables	148,693	28,168	176,861
Customer meter deposits	-	41,653	41,653
Due to other funds	74,385	691,407	765,792
Long-term liabilities:			
Due within one year	65,850	155,000	220,850
Due after one year	364,827	1,540,000	1,904,827
Total liabilities	653,755	2,456,228	3,109,983
NET ASSETS			
Investment in capital assets, net of			
related debt	711,248	2,032,766	2,744,014
Restricted for:			
Debt service	366,381	-	366,381
Streets and drainage	488,708	-	488,708
Unrestricted	855,602	379,287	1,234,889
Total net assets	\$ 2,421,939	\$ 2,412,053	<u>\$ 4,83</u> 3,992

See accompanying notes to financial statements

## STATEMENT OF ACTIVITIES Year Ended July 31, 2004

				Program	Re	venues
			Fe	es, Fines		Operating
			an	d Charges		Grants and
<u>Activities</u>	<u>F</u>	Expenses	for	Services	<u>Co</u>	ntributions
Governmental activities:						
General and administrative	\$	291,310	\$	91,646	\$	-
Highways and streets		403,459		-		-
Public safety		573,145		43,295		102,730
Health and recreation		319,482		191,501		26,204
Economic development		6,867				
Total governmental activities	1	L,594,263		326,442		128,934
Business-type activities:						
Water and sewer		464,893		366,614		
Total activities	\$ 2	2,059,156	\$	693,056	\$	128,934

### General revenues:

Taxes:

Property taxes
Sales and use taxes
Franchise taxes
State revenue sharing
Interest and investment earnings
Miscellaneous
Transfers

Total general revenues

Change in net assets

Net assets, beginning of year

Net assets, end of year

See accompanying notes to financial statements

Net	(Exper	ıse)	Rev	renues
and Ch	2222	in	Not	Addota

and Ch	anges 1	<u>n Net A</u>	sset	.s
	Busi	ness-		_
Governmental	Ту	⁄pe		
<u>Activities</u>	<u>Activ</u>	<u>rities</u>		Total
\$ (199,664)	\$	-	\$	(199,664)
(403,459)		-		(403,459)
(427,120)		-		(427,120)
(101,777)		-		(101,777)
(6,867)				(6 <u>,867</u> )
(1,138,887)		-	( )	L,138,887)
	(9	9 <u>8,279</u> )		(98,279)
<u> </u>	\$ (5	<u>(8,279</u> )	<u>\$ ( ]</u>	L,237,16 <u>6</u> )
\$ 179,682	\$	-	\$	179,682
504,622		-		504,622
132,003		-		132,003
20,383		-		20,383
21,720		4,422		26,142
96,273		27,274		123,547
<u>(72,029</u> )		72,029		<u> </u>
<u>882,654</u>	10	13,725		986,379
(256,233)		5,446		(250,787)
2,678,172	2,40	06,607	5	5,084,779
\$ 2,421,939	\$ 2,41	12,053	<u>\$</u> 4	1,833,992

**FUND FINANCIAL STATEMENTS** 

### BALANCE SHEET - GOVERNMENTAL FUNDS July 31, 2004

	General	Street & Alley	Sales <u>Tax</u>	Nonmajor <u>Governmental</u>	Total
ASSETS					
Cash	\$ 124,771	\$ 22.530	\$ -	\$ 171,876	\$ 319,177
Investments	746,355	310,627	-	275,716	1,332,698
Receivables	49,811	-	_	_	49,811
Due from other funds		79,657		152,426	232,083
Total assets	\$ 920,937	\$ 412,814	<u>\$</u>	\$ 600,018	<u>\$ 1,933,769</u>
LIABILITIES					
Accounts payable	34,783	107,943	-	900	143,626
Other payables and charges	5,067	-	-	-	5,067
Due to other funds	25,485			48,900	74,385
Total liabilities	65,335	107,943		49,800	223,078
FUND BALANCES					
Unreserved, undesignated, reported in:					
General fund	855,602	_	_	_	855,602
Special revenue funds	-	304,871	_	183,837	488,708
Debt service funds	_	_	_	366,381	366,381
Total fund					
balances	<u>855,602</u>	304,871		550,218	1,710,691
Total liabilities and fund	4 000 5				
balances	<u>\$ 920,937</u>	\$ 412,814	<u>ş -</u>	\$ 600,618	<u>\$ 1,933,769</u>

## RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS July 31, 2004

Total fund balance for governmental funds at July 31, 2004	\$ 1,710,691
Total net assets reported for governmental activities in the statement of net assets is different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of:	
Land	903,777
Capital assets, net of \$518,196 accumulated	
depreciation	238,148
	1,141,925
Long-term liabilities at July 31, 2004:	
Bonds payable	(388,000)
Capital lease obligations	<u>(42,677</u> )
	(430,677)
Total net assets of governmental activities	
at July 31, 2004	\$ 2,421,939

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS Year Ended July 31, 2004

		Street	Sales	Nonmajor	
	General	& Alley	Tax	<u>Governmental</u>	<u>Total</u>
Revenue:					
Taxes	\$ 495,237	\$ 35,669	\$ 205,799	\$ 79,603	•
License and permits	91,646	-	· -	=	91,646
Intergovernmental	149,317	=	~	-	149,317
Charges for services	151,335	-	-	-	151,335
Fines	43,295	-	~	-	43,295
Interest	15,413	2,387	-	3,920	21,720
Other	129,503	6,937			136,440
Total revenues	1,075,746	44,993	205,799	83,523	<u>1,410,061</u>
Expenditures:	222 522				500
General and administrative	338,529	-	-	-	338,529
Highways and streets	-	365,584	-	12,004	377,588
Public safety	615,677	-	-	-	615,677
Health and recreation	350,075	-	-	-	350,075
Economic development	6,867	-	-	-	6,867
Debt service:					
Principal	14,000	23,771	-	25,000	62,771
Interest	4,140	2,419		9,883	16,442
Total expenditures	1,329,288	391,774		46,887	1,767,949
Excess (deficiency)					
of revenues over					
expenditures	(253,542)	(346,781)	205,799	<u>36,636</u>	(357,888)
Other financing sources (uses):					
Operating transfers in	_	127,596	_	6,174	133,770
Operating transfers out	_	-	(205,799)		( <u>205, 799</u> )
Total other					<u> </u>
financing sources					
(uses)	_	127,596	(205,799)	)6,174	(72,0 <u>29</u> )
(====,					,
Net changes in					
fund balance	(253,542)	(219,185)	-	42,810	(429,917)
					_
Fund balance, beginning	1,109,144	524,056		507,408	2,140,608
Fund balance, ending	\$ 855,602	\$ 304,871	\$	\$ 550,218	<u>\$ 1,710,691</u>

## RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES Year Ended July 31, 2004

Total net changes in fund balances at July 31, 2004 per statement of revenues, expenditures and changes in fund balances

\$ (429,917)

The change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay which is considered expenditures on:
Statement of revenues, expenditures and changes in
fund balances
Depreciation expense for the year ended July 31, 2004

202,094 \_\_\_(91,181)

110,913

Governmental funds report bonded debt repayments as expenditures. However, this expenditure does not appear in the statement of activities since the payment is applied against the bond payable on the statement of net assets

62,771

\$ (256,233)

## STATEMENT OF NET ASSETS - PROPRIETARY FUND July 31, 2004

ASSETS	Business-Type Activities Enterprise Fund
Current assets:	
Cash and cash equivalents	\$ 62,725
Investments	218,964
Receivables	36,798
Due from other funds	533,709
Total current assets	852,196
Restricted cash and cash equivalents	288,319
Fixed assets, net of accumulated depreciation	3,727,766
Total assets	\$ 4,868,281
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 14,450
Accrued interest payable	13,718
Due to other funds	691,407
Customer meter deposits	41,653
Total current liabilities	761,228
Noncurrent liabilities:	
Due within one year	155,000
Due after one year	1,540,000
Total noncurrent liabilities	1,695,000
Total liabilities	2,456,228
NET ASSETS	
Invested capital assets	2,032,766
Unrestricted	379,287
Total net assets	\$ 2,412,053

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS PROPRIETARY FUND Year Ended July 31, 2004

Operating revenues:	Business-Type Activities Enterprise Fund
Charges for services	<u>\$ 366,614</u>
Operating expenses:    Personal services    Other services and charges    Materials and supplies    Heat, light and power    Depreciation	74,411 39,330 24,962 203,904 61,958 404,565
Nonoperating revenues (expenses):     Interest     Interest fiscal charges     Miscellaneous	4,422 (60,328) 27,274 (28,632)
(Loss) before operating transfers	(66,583)
Operating transfers in  Change in net assets	<u>72,029</u> 5,446
	-,
Net assets, beginning of year	2,406,607
Net assets, end of year	\$ 2,412,053

### STATEMENT OF CASH FLOWS - PROPRIETARY FUND Year Ended July 31, 2004

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 366,710
Cash payments to suppliers for goods and services	(122,982)
Cash payments to employees for services	(74,411)
Net cash provided by operating activities	169,317
the contract of the contract o	
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Operating transfers in	72,029
Miscellaneous	25,145
Increase in customer deposits	1,705
Advances from (to) other funds	(130,964)
Net cash (used in) noncapital financing activities	(32,085)
- · · · · · · · · · · · · · · · · · · ·	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal payments on bonds	(155,000)
Interest paid on bonds	<u>(61,508</u> )
Net cash (used in) capital and related activities	(216,508)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	4,422
Purchase of property and equipment	(15,287)
(Increase) in investments	<u>(13,456</u> )
Net cash (used in) investing activities	(24,321)
Net (decrease) in cash and cash equivalents	(103,597)
nee (decrease) in easi and easi equivarenes	(103,337)
Cash and cash equivalents:	
Beginning of year	454,641
End of year	<u>\$ 351,044</u>
RECONCILIATION OF OPERATING (LOSS) TO NET CASH	
PROVIDED BY OPERATING ACTIVITIES	
Operating (loss)	\$ (37,951)
Adjustments to reconcile operating (loss) to net	
cash provided by operating activities:	
Depreciation	203,904
Changes in assets and liabilities:	
Decrease in receivables	96
Increase in payables	3,268
Not each associated by constitute activities	4 460 315
Net cash provided by operating activities	<u>\$ 169,317</u>

## TOWN OF LAKE ARTHUR, LOUISIANA GENERAL FUND

### BUDGETARY COMPARISON SCHEDULE Year Ended July 31, 2004

	Bud	lget	•	Variance Favorable
	Original	Final	<u>Actual</u>	(Unfavorable)
REVENUES		•		
Taxes	\$ 430,000	\$ 430,000	\$ 495,237	\$ 65,237
Licenses and permits	78,500	78,500	91,646	13,146
Intergovernmental	145,201	145,201	149,317	4,116
Charges for services	200,600	200,600	151,335	(49,265)
Fines	29,000	29,000	43,295	14,295
Interest	40,000	40,000	15,413	(24,587)
Other	102,400	102,400	129,503	2 <u>7,10</u> 3
Total revenues	1,025,701	1,025,701	1,075,746	50,045
EXPENDITURES				
Current: General and administrative	226 205	220 520	220 520	
Public safety	326,285 582,205	338,529 615,677	338,529 615,677	_
Health and recreation	167,790	350,075	350,075	_
Economic development	9,000	6,867	6,867	_
Debt service:	9,000	0,007	0,007	_
Principal	_	14,000	14,000	_
Interest		4,140	4,140	
Total expenditures	1,085,280	1,329,288	1,329,288	
-			<del>-</del>	
Excess (deficiency) of revenues over expenditures	<u>(59,979</u> )	(303,587)	(253,542)	50,045
OTHER FINANCING SOURCES (USES) Appropriation of prior year fund balance	59, <u>979</u>	303,587		(303,587)
Excess (deficiency) of revenue and other sources over			(253 542)	/252 542)
expenditures	-	-	(253,542)	. (253,542)
Fund balance, beginning of year	1,109,144	1,109,144	1,109,144	
Fund balance, end of year	<u>\$ 1,109,144</u>	\$ 1,109,144	\$ 855,602	\$ (253,542)

## TOWN OF LAKE ARTHUR, LOUISIANA STREET AND ALLEY FUND

### BUDGETARY COMPARISON SCHEDULE Year Ended July 31, 2004

		<u>Bud</u>	get				Variance Favorable
		Original		Final _		Actual	(Unfavorable)
REVENUES							
Taxes	\$	32,000	\$	32,000	\$	35,669	\$ 3,669
Interest	·	10,000	•	10,000		2,387	(7,613)
Other		8,000		8,000		6,937	(1,063)
Total revenues	_	50,000		50,000	_	44,993	(5,007)
EXPENDITURES							
Current:							
Highways and streets		631,950		631,950		365,584	266,366
Debt service:							
Principal		-		_		23,771	(23,771)
Interest	_			<u> </u>		2,419	(2,419)
Total expenditures		631,950		631,950	_	391,774	240,176
Excess (deficiency)							
of revenues over							
expenditures		(581,950)	_	<u>(581,950</u> )		(346,781)	235,169
OTHER FINANCING SOURCES (USES)							
Appropriation of prior year							
fund balance		454,950		454,950		-	(454,950)
Operating transfers in	_	127,000		127,000		127,596	<u>5</u> 96
Total other financing							
sources (uses)	_	581,950		581,950		127,596	(454,354)
Excess (deficiency)							
of revenue and							
other sources over							
expenditures		-		-		(219,185)	(219,185)
Fund balance, beginning of year	_	524,056		524,056		524,056	
Fund balance, end of year	\$	524,056	\$	524,05 <u>6</u>	<u>\$</u>	304,871	<u>\$ (219,185</u> )

## TOWN OF LAKE ARTHUR, LOUISIANA SALES TAX FUND

### BUDGETARY COMPARISON SCHEDULE Year Ended July 31, 2004

	Bud	get		Variance Favorable
	<u>Original</u>	<u> Final</u>	Actual	(Unfavorable)
REVENUES Sales taxes	\$ 188,800	\$ 188,800	\$ 205,799	\$ 16,999
EXPENDITURES				
Excess (deficiency) of revenues over expenditures	188,800	188,800	205,799	16,999
OTHER FINANCING SOURCES (USES) Operating transfers (out)	(188,800)	(188,800)	(205,799)	(16,999)
Excess (deficiency) of revenue and other uses over expenditures	_	-	-	-
Fund balance, beginning of year				<u> </u>
Fund balance, end of year	<u> </u>	<u> </u>	<u>\$</u>	<u>\$</u>

## NOTES TO FINANCIAL STATEMENTS July 31, 2004

### 1) Summary of Significant Accounting Policies

The Town of Lake Arthur, Louisiana was incorporated in 1904, under the provisions of the Lawrason Act. The Town operates under a Mayor-Town Council form of government.

The accounting and reporting policies of the Town of Lake Arthur, Louisiana conform to accounting principles generally accepted in the United States of America as applicable to governments. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:517 and to the guidance set forth in the Louisiana Municipal Audit and Accounting Guide, and to the industry audit guide, Audits of State and Local Governmental Units.

The Governmental Accounting Standards Board (GASB) Statement Number 20 (effective for financial statements for periods beginning after December 15, 1993) provides guidance on accounting and financial reporting for proprietary fund types and allows proprietary fund types to choose one of two options in applying pronouncements issued by the Financial Accounting Standards Board (FASB) after November 30, 1989. The Town of Lake Arthur has elected to use the first option for reporting its activities. This approach applies all GASB pronouncements and FASB Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARBs) issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. Changes to FASB statements and interpretations, APB opinions and ARBs issued after November 30, 1989, would not apply unless adopted by GASB.

The following is a summary of certain significant accounting policies.

### A. Financial Reporting Entity

The accompanying financial statements include the various departments, activities, and organizational units that are within the control and authority of the Mayor and Town Council of the Town of Lake Arthur, Louisiana. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in Statement No. 14 of the Governmental Accounting Standards Board. This statement defines the reporting entity as the primary government and those component units for which the primary government is financially accountable. Financial accountability is defined as appointment of a voting majority of

the component unit's board, and either a) the ability to impose will by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government.

Based on the foregoing criteria, the Town of Lake Arthur has no other fiscal or significant managerial responsibility over any other governmental unit that is not included in the financial statements of the Town of Lake Arthur.

### B. Change in Accounting Principles

The Town of Lake Arthur, Louisiana adopted the provisions of GASB Statement 34, Basic Financial Statements - and Management's Discussion and Analysis for State and Local Governments (Statement 34) and GASB Statement 33, Accounting and Financial Reporting for Nonexchange Transactions (Statement 33) for the year ended July 31, 2004. Statement 34 establishes financial reporting standards for all state and local governments and related entities. Statement 34 primarily relates to presentation and disclosure requirements. This had an impact capital assets, the presentation of net assets and the inclusion of management's discussion and analysis. Concurrent with the implementation of Statement 34, the following additional standards have been adopted. GASB Statement 37, Basic Financial Statementsand Management's Discussion and Analysis-for State and Local Governments: Omnibus. This Statement amends Statement 34 to either (1) clarify certain provisions or (2) modify other provisions that the GASB believes may have unintended consequences in some circumstances. GASB Statement 38, Certain Financial Statement Note Disclosures. This Statement modifies, establishes and rescinds certain financial statement disclosure requirements.

### C. Basis of Presentation

### GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the activities of the primary government.

The Statement of Net Assets and the Statement of Activities report financial information for the Town as a whole so that individual funds are not displayed. However, the Statement of Activities reports the expense of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and (2) operating or capital grants and

contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

### FUND FINANCIAL STATEMENTS

The Town segregates transactions related to certain functions or activities in separate funds in order in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The various funds are grouped, in the financial statements in this report, into three broad fund categories as follows:

### GOVERNMENTAL FUNDS

General Fund - The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Funds - Debt Service Funds are used to account for the accumulation or resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Project Funds - Capital Project Funds are used to account for funds received and expenditures made in connection with large capital projects.

### PROPRIETARY FUNDS

Enterprise Funds - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

### D. Measurement Focus and Basis of Accounting

Measurement focus refers to which transactions are recorded within various financial statements. Basis of accounting refers to when revenues and expenditures (or expenses) are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for government funds. The primary effect of internal activity (between or within funds) has been eliminated from the government-wide financial statements.

In the fund financial statements, governmental funds are accounted for using a financial resources measurement focus whereby only current assets and current liabilities generally are included on the balance sheet and increases or decreases in net current assets are presented in the operating statements. These funds utilize the modified accrual basis of accounting. Revenues are recognized when they become both measurable and available to finance expenditures of the current period. Certain revenues such as sales tax, property tax, and charges for services are assessed and collected in such a manner that they can be accrued appropriately. Expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for principal and interest on general long-term debt which are recognized when due. Also, expenditures for accrued compensated absences are not recognized until they are payable from current available financial resources.

The proprietary funds, also in the fund financial statements, is accounted for and reported using a flow of economic resources measurement focus. This means that all assets and liabilities associated with the operation of these funds are included on the balance sheet. The operating statements for the proprietary fund presents increases or decreases in net total assets.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### E. Budgets and Budgetary Accounting

The Town follows these procedures in establishing the budgetary data reflected in the financial statements:

- Prior to July 31, the Town Clerk submits to the Mayor and Council a proposed operating budget for the fiscal year commencing the following August 1. The operating budget includes proposed expenditures and the means of financing them.
- 2. A public hearing is conducted to obtain taxpayer comment.
- Prior to July 31, the budget is legally enacted through passage of an ordinance.
- 4. Any revisions that alter total expenditures of any fund must be approved by the Council. Expenditures cannot legally exceed appropriations on a fund level.
- 5. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds.
- 6. The budget and actual comparison presented on pages 13 and 14 in the accompanying financial report includes the General Fund and Special Revenue Funds. The capital budget ordinances which encompass the Capital Projects Funds present cumulative as opposed to annual budget amounts and thus budget and actual comparisons are not reported in the accompanying financial report for these funds. There were no capital project funds at July 31, 2004.
- 7. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP). Budgeted amounts are as originally adopted, or as amended by the Town Council.
- 8. All budgetary appropriations except for Capital Projects lapse at the end of each fiscal year.
- 9. Budgets are amended by resolution approved by the Town Council.

During the year ended July 31, 2004, budgeted amounts for revenues and other financing sources were increased approximately \$243,500 and expenditures and other financing uses increased approximately \$243,500. The major part of these changes is represented by increased usage of prior year fund balances, and increased capital outlay expenditures from those amounts originally budgeted.

Encumbrance accounting is not used.

### F. Cash, Cash Equivalents and Investments

Cash and cash equivalents include amounts in demand deposits and U.S. Government Agencies securities with maturities of three months or less.

Louisiana state statutes, as stipulated in R.S. 39:1271, authorize the Town to invest in United States bonds, treasury notes, or certificates, or time certificates of deposit of state banks organized under the laws of Louisiana and national banks having the principal office in the State of Louisiana. The state statutes also authorize the Town to invest in any other federally insured investment, or in mutual or trust fund institutions, which are registered with the Securities and Exchange Commission under the Security Act of 1933 and the Investment Act of 1940, and which have underlying investments consisting solely of and limited to securities of the United States government or its agencies. Investing is performed in accordance with investment policies complying with State Statutes and those adopted by the Town Council.

Investments are stated at cost.

### G. Inventory

Purchase of various operating supplies are regarded as expenditures at the time purchased, and inventories of such supplies (if any) are not recorded as assets at the close of the fiscal year.

### H. Bad Debts

Uncollectible amounts due for ad valorem taxes and customers' utility receivables are recognized as bad debts through the establishment of an allowance account at the time information becomes available which would indicate the uncollectibility of the receivable.

### I. Interfund Activity

Interfund activity is reported as either loans, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Reimbursements are when one fund incurs a cost, charges the appropriate benefitting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

### J. Capital Assets and Depreciation

The accounting and reporting treatment applied to capital assets associated with a fund are determined by their measurement focus. General capital assets are recorded as expenditures in the governmental funds and capitalized. The valuation basis for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. The minimum capitalization threshold is any individual item with a total cost greater than \$1,500.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows:

Water and sewer lines	30 years
Machinery and equipment	3-10 years
Autos and trucks	3-5 years

### 2) Cash and Investments

### Deposits:

As of July 31, 2004, the carrying amount and bank balance of the Town's deposits were as listed below. Of this amount, \$2,221,265 was insured by federal depository insurance and collateral held by the pledging bank's trust department (Category 1 and 2, as scheduled below):

<u>Deposits</u>	Carrying Amount	Bank <u>Balance</u>
Category 1	\$ 400,000	\$ 400,000
Category 2	1,821,265	1,830,320
	<u>\$ 2,221,265</u>	\$ 2,230,320

#### Investments:

Investments are stated at cost. All deposits in excess of \$100,000 per investment category per financial institution are supported by pledged collateral and all deposits under \$100,000 per investment category per institution are insured by FDIC.

Investments of the Town consist of certificates of deposit totaling \$1,219,531 and insured money market accounts totaling \$332,132. Cost and market value of these accounts are approximately equal. (Category 2)

# Credit risk categories:

The Town's deposits and investments are categorized above in accordance with risk involved. Category 1, which represents the lowest level of risk, includes investments and deposits that are insured or registered or for which the securities are held by the Town or its agent in the Town's name. Category 2 includes uninsured and unregistered investments with the securities held by the financial institution's trust department or agent in the Town's name. Category 3, which represents the greatest level or risk, includes uninsured and unregistered investments or deposits which are not protected by collateral, or for which securities are not held in the Town's name.

# 3) Ad Valorem Taxes

The Town levies taxes on real and business personal property located within its boundaries. Property taxes are levied by the Town on property values assessed by the Jeff Davis Parish Tax Assessor and approved by the State of Louisiana Tax Commission.

For the year ended July 31, 2004 taxes of 25.70 mills were levied on property with assessed valuations totaling \$7,356,020 and were dedicated as follows:

General corporate purposes	6.86 mills
Drainage maintenance	5.10 mills
Street and alley maintenance	5.10 mills
Debt service	6.14 mills
Recreation	2.50 mills

The Town property taxes are levied on November 1 and are due December 31, and are delinquent by January 1st. Delinquent property taxes attach as enforceable liens on property as of April 30.

# 4) Changes in Capital Assets

Capital asset activity for the year ended July 31, 2004, was as follows:

	Beginning of Year	Additions	<u>Deletions</u>	End of Year
Governmental activities:				
Capital assets not being				
depreciated:				
Land	\$ <u>855,549</u>	\$ 48,228	<u> </u>	<u>\$ 903,777</u>
Capital assets being depreciated:				
Buildings	101,000	24,228	-	125,228
Furniture and equipment	84,019	149,388	-	233,407
Vehicles	378,158	19,551		397,709
Total capital assets being				
depreciated	563,177	193,167		756,344
Less accumulated depreciation for:				
Buildings	101,000	2,423	-	103,423
Furniture and equipment	60,343	64,076	-	124,419
Vehicles	<u>265,672</u>	24,682	<del></del>	290,354
Total accumulated depreciation	427,015	91,181		518,196
Government activities capital assets, net	<u>\$ 991,711</u>	\$ 150,214	\$ -	\$ 1,141,925
Business-type activities:				
Capital assets not being depreciated:		4 4 4		
Land	\$ 7,529	\$ 2,075	<u> -                                   </u>	\$ 9,604
Capital assets being depreciated:				
Sewer system	4,906,159	7,670	-	4,913,829
Water system	1,264,035	7,670	-	1,271,705
Vehicles	23,962	-	-	23,962
Furniture and equipment	105,415		<u>(6,367</u> )	99,048
Total capital assets being				
depreciated	<u>6,299,571</u>	15,340	<u>(6,367</u> )	6,308,544
Less accumulated depreciation for:				
Sewer system	1,823,924	172,015	_	1,995,939
Water system	447,160	29,202	_	476,362
Vehicles	23,962	-	_	23,962
Furniture and equipment	97,800	2,686	(6,367)	94,119
Total accumulated depreciation	2,392,846	203,903	(6,367)	2,590,382
Business-type activities capital				
assets, net	\$ 3,914,254	\$ (186,488)	<b>s</b> -	\$ 3,727,766
abbeto, net	A 21274 524	V (100/400)	<u>Y</u>	<u> </u>

Depreciation expense was charged to governmental activities as follows:

General and administrative	\$ 2,701
Public safety	45,557
Highway and streets	35,252
Health and recreation	 7,671
Total depreciation	\$ 91,181

#### 5) Long-Term Debt

Long-term debt is comprised of the following at July 31, 2004:

#### General obligation bonds:

\$550,000 General Obligation Bonds, Series 1995, interest at 2.45%, administrative fee .5%, principal and interest payable through the year 2015

\$ 310,000

\$105,000 Certificate of indebtedness, Series 2004, 4.50% interest payable through the year 2009

78,000

388,000

#### Revenue bonds payable:

\$2,500,000 Sewer revenue bonds payable, interest at 2.45%, administrative fee .5%, principal and interest payable through the year 2014

1,395,000

\$400,000 Certificate of indebtedness, Series 2001, interest payable ranging from 4.6% to 5.25%, principal and interest payable through the year 2011

300,000

\$ 1,695,000

# Capital leases payable:

\$39,000 Capital lease payable on equipment, interest at 4.75%, principal and interest payable through November, 2006

28,714

\$50,400 Capital lease payable on equipment, interest at 7%, principal and interest payable through July, 2005

<u>13,963</u>

42,677

Long-term liability activity for the year ended July 31, 2004, was as follows:

				Amounts
Beginning			Ending	Due Within
<u>Balance</u>	<u>Additions</u>	Reductions	<u>Balance</u>	<u>One Year</u>
\$ 335,000	\$ ~	\$ 25,000	\$ 310,000	\$ 25,000
92,000	-	14,000	78,000	14,000
26,802	39,300	23,425	42,677	<u>26,850</u>
\$ 453,802	\$ 39,300	\$ 62,425	\$ 430,677	\$ 65,850
			<del></del>	
1:				
\$ 1,515,000	\$ -	\$ 120,000	\$ 1,395,000	\$ 120,000
335,000		35,000	300,000	35,000
\$ 1,850,000	<u> </u>	\$ 155,000	\$ 1,695,000	\$ <u>155,000</u>
	\$ 335,000 92,000 26,802 \$ 453,802 \$ 1,515,000 335,000	Balance       Additions         \$ 335,000       \$ -         92,000       -         26,802       39,300         \$ 453,802       \$ 39,300         335,000       -	Balance       Additions       Reductions         \$ 335,000       \$ - \$ 25,000         92,000       - 14,000         26,802       39,300       23,425         \$ 453,802       \$ 39,300       \$ 62,425         \$:       \$ 1,515,000       \$ - \$ 120,000         335,000       - 35,000	Balance       Additions       Reductions       Balance         \$ 335,000       \$ - \$ 25,000       \$ 310,000         92,000       - 14,000       78,000         26,802       39,300       23,425       42,677         \$ 453,802       \$ 39,300       \$ 62,425       \$ 430,677         335,000       - \$ 120,000       \$ 1,395,000         335,000       - 35,000       300,000

Debt service requirements at July 31, 2004 were as follows:

#### Governmental activities:

Year Ended July 31,	<u> Principal</u>	<u> Interest</u>
2005	\$ 65,850	\$ 14,179
2006	53,511	11,748
2007	43,316	9,888
2008	41,000	8,418
2009	42,000	6,960
2010-2014	150,000	18,438
2015-2019	35,000	1,033
	\$ 430,677	\$ 70,664
Business-type activities:		
Year Ended July 31,	<u> Principal</u>	Interest
2005	\$ 155,000	\$ 56,305
2006	165,000	51,085
2007	170,000	45,438
2008	180,000	39,623
2009	180,000	33,367
2010-2014	845,000	75,440

# 6) Interfund Transactions

Individual fund interfund receivable and payable balances at July 31, 2004 were:

	Due From	Due_To	
General fund	\$ -	\$ 25,485	
Street and alley maintenance	79,657	=	
Non-major governmental	152,426	48,900	
Utilities system fund	533,709	<u>691,407</u>	
	<u>\$ 765,792</u>	<u>\$ 765,</u> 792	

Operating transfers for the year ended July 31, 2004 were:

	Street	Non-Major	Utility System	
<u>Transfer Out</u>	<u>&amp; Alley</u>	<u>Governmental</u>	Fund	Total
Sales tax	\$ 127,596	\$ 6,174	\$ 72,029	\$ 205,799

# 7) Restricted Assets - Proprietary Fund Type

Restricted assets were applicable to the following at July 31:

	2004	2003
Customers deposits Sewer	-	\$ 39,949 <u>268,455</u>
	\$_288,319	<u>\$ 308,404</u>

# 8) Dedication of Proceeds and Flow of Funds - 1% Sales and Use Tax

Proceeds of a 1% sales and use tax levied by the Town of Lake Arthur, Louisiana (2004 collections \$504,622, 2003 collections \$424,680) are dedicated to the following purposes:

General Fund	60%
Streets	24.8%
Water	14%
Sidewalks	.8%
Drainage	.4%

#### 9) Pension Plan

Municipal Employees' Retirement System:

Plan description:

The Town of Lake Arthur contributes to the Municipal Employees' Retirement System of Louisiana, a cost-sharing multiple-employer plan administered by the Municipal Employee's Retirement System, State of Louisiana. Municipal Employees' Retirement System of Louisiana was established by Act 356 of the 1954 regular session of the Legislature of the State of Louisiana to provide retirement benefits to employees of all incorporated villages, towns and cities within the State, which did not have their own retirement systems and which elected to become members of the System. The System is administered by a Board of Trustees composed of nine members, six of whom shall be active and contributing members of the System with at least ten years creditable service, elected by the members of the System; one of whom shall be the president of the Louisiana Municipal Association who shall serve as an ex-officio member during his tenure; one of whom shall be the Chairman of the Senate Retirement Committee; one of whom shall be the Chairman of the House Retirement Committee of the Legislature of Louisiana. Act #569 of the year 1968 established by the Legislature of the State of Louisiana provides an optional method for municipalities to cancel Social Security and come under supplementary benefits in the Municipal Employees' Retirement System, effective on and after June 30, 1970. Effective October 1, 1978, under Act #788, the "regular plan" and the "supplemental plan" were replaced, and are now known as Plan "A" and Plan "B". Plan "A" combines the original plan and the supplemental plan for those municipalities participating in both plans, while Plan "B" participates in only the original plan. The Town of Lake Arthur is a member of plan "B" of the retirement system. Historical trend information for this plan is included in the separately issued report for the Municipal Employee's Retirement System for the period ended June 30, 2003.

#### Funding policy:

Plan members are required to contribute 5.00% of their annual covered salary and the Town of Lake Arthur is required to contribute at a statutorily determined rate. The current rate is 6.25% of annual covered payroll. The contribution requirements of plan members and the Town of Lake Arthur are established and may be amended by the Board of Trustees. The Town of Lake Arthur's contributions to the Municipal Employees' Retirement System of Louisiana for the years ending July 31, 2004, 2003, and 2002 were \$12,904, \$11,858, and \$15,524, respectively, equal to the required contributions for each year.

#### 10) Litigation

The Town is involved in several lawsuits. The Town Attorney estimates that the potential claims against the Town that are not covered by insurance resulting from such litigation would not materially affect the financial statements of the Town.

#### 11) Accumulated Unpaid Compensated Absences

The Town's policy on annual leave is that if the time is not taken during the year earned it will be forfeited; that is no carry over of time or compensation in lieu of time off will be allowed.

The Town's policy on sick leave is 10 days per year. Unused sick leave can be accumulated up to 30 days to be used for prolonged illness, but the Town will not pay for unused sick leave.

#### 12) Landfill Joint Venture

The Town is a participant in a joint venture referred to as the Jefferson Davis Parish Sanitary Landfill Commission. This entity was chartered on February 17, 1984. The Commission's purpose is the establishment of a long-term plan for the disposal of solid wastes in Jefferson Davis Parish. According to the charter, each participant in the Commission is responsible for a pro rata share of any operating deficits. Likewise, any distributions of surpluses are also shared on a pro rata basis. Each participant's pro rata share is based on the number of households within each participant's unit to the total number of households within all participating units. These proportions were determined using the 1980 U.S. Census as follows:

Locality	Number of <u>Households</u>	<u>Percentages</u>
Jennings	4,161	.421196
Welsh	1,167	.118129
Lake Arthur	1,212	.122684
Parish (excluding Jennings, Welsh, Lake Arthur and Elton)	3,339	.337991
Totals	9,879	1.000000

The Commission consists of six commissioners as follows: two residents of Jennings, one resident of Welsh, one resident of Lake Arthur, and two residents of Jefferson Davis Parish living outside the city limits of Jennings, Welsh, Lake Arthur and Elton. The Commission members are to be appointed by the governing body of their place of residence.

The Commission has the power and authority to employ personnel, adopt its own budget and enter into agreements necessary for the operation of the Landfill. In certain instances, some agreements must be consented to by all six members of the Commission.

Condensed financial information for the Jefferson Davis Parish Sanitary Landfill as of December 31, 2003 (the latest available audited financial statements which is available in a separately issued financial report) were as follows:

	Total	Lake Arthur _(12.2684%)
Total assets	\$ 7,555,255	\$ 926,909
Total liabilities	45,587	5,593
Total equity	7,509,668	921,316
Total revenues	829,332	101,746
Total expenditures	877,525	107,658
Net (decrease) in fund balance	(48,193)	(5,912)

As of December 31, 2003, the Commission had no long-term debt outstanding.

The Landfill Commission as owner of a sanitary landfill is subject to recent Environmental Protection Agency (EPA) regulations that require monitoring the landfill site for 30 years following closure of the site in addition to other closure requirements. These regulations also mandate that landfill owners provide financial assurances that they will have the resources available to satisfy the post closure standards. These guarantees can be third-party trusts, surety bonds, letters of credit, insurance, or state sponsored plans. According to the Commission's contract with the site operator, "...the contractor shall be responsible for closure in accordance with the permit..". Additionally, "...the contractor's post closure care, maintenance and monitoring responsibility shall be three (3) years, or as required by law...". In the event the operator is for whatever reason unwilling or unable to fulfill this requirement, the responsibility for closure and post closure monitoring will revert back to the Commission.

Additionally, because of the industry the Commission participates in, certain potential liabilities are always present. These include, but are not limited to, environmental cleanup costs and EPA penalties for violation of its regulations. The EPA is empowered by law (through the Superfund legislation) to from anyone who ever owned or operated a particular contaminated site, or anyone who ever generated or transported hazardous materials to a site (these parties are commonly referred to as potentially responsible parties, or PRPs). Potentially, the liability can extend to subsequent owners or to the parent company of a PRP. While there are no asserted or unasserted potential costs or penalties at the date of this report that the Commission is aware of, the potential is present.

During the year ended December 31, 2003, the Commission voted to make a distribution to the four local government bodies that participate in the Landfill Commission and funded its construction and early operations. The distributions were made in the same proportions as the original investments by the governments. For the Town of Lake Arthur, the distribution amounted to \$20,796 which is recorded as "landfill revenues" in the General Fund in the fiscal year ended July 31, 2004.

# 13) Amounts Paid Members of Governing Board

Mr. E. R. Giles	\$ 7,935
Ms. Dorothy Charles	3,150
Mr. Kirk Conner	3,150
Mr. Ellsworth Duhon	3,150
Mr. David Hanks	3,150
Mr. Mark LaPoint	 3,050

\$ 23,58<u>5</u>

OTHER SUPPLEMENTAL INFORMATION

# COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS July 31, 2004

	Special	Special Revenue		
	Drainage <u>Maintenance</u>	Sidewalk <u>Maintenance</u>		
ASSETS				
Cash and cash equivalents Investments	\$ <b>47</b> ,776 -	\$ 47,365 -		
Due from other funds	109,840			
Total assets	\$ 157,616	\$ 47,365		
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accounts payable	\$ 900	ş -		
Due to other funds	<u>19,582</u>	662		
Total liabilities	20,482	662		
FUND BALANCE				
Reserve for debt service	-	_		
Unreserved - undesignated	137,134	46,703		
Total fund balance	137,134	46.703		
Total liabilities and fund balance	<u>\$ 157,616</u>	<u>\$ 47,365</u>		

	De	bt Sei	vice Fu	nds		
	Sewerage	Co	mbined	Public		
	District	В	ond	Improvement		
_	No. 1	F	und.	Bond		 Total
\$	6,139	\$	70,596	\$	-	\$ 171,876
	24,488	1	74,390		76,838	275,716
	7,201		<u>16,600</u>		18,785	 152,426
			-	-		
\$_	37,828	\$ 2	<u>61,586</u>	\$	95,623	\$ 600,018
\$	-	\$	-	\$	-	\$ 900
			<u> 28,656</u>			 48,900
			<u>28,656</u>			 49,800
	37,828	2	32,930		95,623	366,381
					<del></del> _	 183,837
	37,828	2	32,930	_	95,623	 550,218
\$	37,828	\$ 2	61,586	\$	95,623	\$ 600,018

# COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS Year Ended July 31, 2004

	Special Revenue		
	Drainage <u>Maintenance</u>	Sidewalk <u>Maintenance</u>	
Revenues:			
Taxes	\$ 35,669	\$ -	
Interest		<u>-</u>	
Total revenues	35,669		
Expenditures:			
Highways and streets	10,155	1,849	
Debt service:			
Principal retirement	-	-	
Interest and fiscal charges	<u> </u>		
Total expenditures	10,155	1,849	
Excess (deficiency) of revenues			
over expenditures	25,514	(1,849)	
Other financing sources (uses):			
Operating transfers in	2,058	4,116	
Excess (deficiency) of revenues and			
other sources over expenditures	27,572	2,267	
Fund balance, beginning of year	109,562	44,436	
Fund balance, end of year	<u>\$ 137,134</u>	<u>\$ 46,703</u>	

	Del	ot Se	rvice Fu	nds			
- ;	Sewerage	Co	mbined	Public			
]	District	E	Bond	Impi	rovement		
	No. 1	F	und	Bond		Total	
	· · · · · ·		· - · · ·	<del></del>			· ·
\$	370	\$	43,564	\$	-	\$	79,603
			3,226		694		3,920
\$	<u>370</u>	\$	<u>46,790</u>	<u>\$</u>	694	<u>\$</u>	83,523
\$	-	\$	-	\$	-	\$	12,004
	_		25,000		_		25,000
	_		9,883		_		9,883
			34,883			-	46,887
	370		11,907		694		36,636
							6,174
	370		11,907		694		42,810
_	37 <u>,458</u>	2	221,023		94,929		507,408
\$	<u>37,828</u>	<u>\$ 2</u>	232,930	\$	95,623	\$	550,218

REPORT OF INDEPENDENT AUDITORS ON
INTERNAL CONTROL STRUCTURE
AND COMPLIANCE

# McElroy, Quirk & Burch

(In Affiliation with - Gus Schram & Co., LTD)

A Professional Corporation • Certified Public Accountants • Since 1925 800 Kirby Street • P.O. Box 3070 • Lake Charles, LA 70602-3070 337-433-1063 • Fax 337-436-6618 • Web page: www.mqb-cpa.com

Carl W. Comeaux, CPA
Gus W. Schram, III, CPA, CVA
Martin L. Chehotsky, CPA, CFE
Robert M. Gani, CPA, MT
Mollie C. Broussard, CPA
Jason L. Guillory, CPA
Greg P. Naquin, CPA, CFP<sup>TM</sup>
Billy D. Fisher, CPA
Joe G. Peshoff, II, CPA, CVA



Charles P. Quirk, CPA, Inactive Otray J. Woods, Jr., CPA, Inactive Robert F. Cargile, CPA, Inactive William A. Mancuso, CPA, Retired Barbara Hutson Gonzales, CPA, Retired Judson J. McCann, Jr., CPA, Retired

CFE - Certified Fraud Examiner MT - Masters of Taxation CVA - Certified Valuation Analyst CFP - Certified Financial Planner

REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Mayor and Board of Aldermen Town of Lake Arthur Lake Arthur, Louisiana

We have audited the financial statements of the Town of Lake Arthur, Louisiana as of and for the year ended July 31, 2004, and have issued our report thereon dated October 27, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Compliance

As part of obtaining reasonable assurance about whether the Town of Lake Arthur's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under "Government Auditing Standards."

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Lake Arthur, Louisiana's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving internal controls over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Town of Lake Arthur's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statement. A reportable condition is described in the accompanying schedule of questioned costs as item 04-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are considered to be material weaknesses. However, we consider item 04-1 to be a material weakness.

Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

ME Elroy, Quich & Buch
Lake Charles, Louisiana

October 27, 2004

# SCHEDULE OF FINDINGS AND QUESTIONED COSTS Year Ended July 31, 2004

# 04-1 Segregation of Duties

Condition: Because of the entity's size and the limited number of

accounting personnel, it is not feasible to maintain a complete segregation of duties to achieve effective

internal control.

Criteria: Effective internal control requires adequate segregation of

duties among client personnel.

Effect: Without proper segregation of duties, errors within the

financial records or fraud could go undetected.

Recommendation: To the extent cost effective, duties should be segregated

and management should attempt to mitigate this weakness by

supervision and review procedures.

Response: We concur with this recommendation. Management has

implemented supervision and review procedures to the extent

possible.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS Year Ended July 31, 2004

# 03-1 Segregation of Duties

Condition: This finding was a reportable condition relating to the

entity's size and limited number of accounting personnel which made it impossible to achieve effective internal

accounting control.

Recommendation: To the extent cost effective, duties should be segregated

and management should attempt to mitigate this weakness by

supervision and review procedures.

Current status: This condition still exists, however, the Town has

implemented supervision and review procedures as

 ${\tt recommended}.$